

Corporation Income Tax Booklet



STATE OF NORTH DAKOTA

OFFICE OF STATE TAX COMMISSIONER

STATE CAPITOL, 600 E. BOULEVARD AVE., BISMARCK, NORTH DAKOTA 58505-0599

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To All Corporations:

This booklet contains your:

- 1997 North Dakota Corporation Income Tax Return, Form 40
- 1997 Underpayment of Estimated North Dakota Income Tax by Corporations, Form 40-UT
- 1998 North Dakota Estimated Income Tax for Corporations, Form 40-ES.

As you prepare your North Dakota income tax return, consider the following:

- **Who Must File**
Corporations engaged in business in or having sources of income from North Dakota must complete and file Form 40.
- **Use The Label**
Please use the attached peel-off address label on your return. Use of the label allows more efficient processing of your tax return. If there is a need to make a correction, just make it right on the label.
- **Additional Assistance**
If you have questions in completing your return, please refer to page 2 for taxpayer assistance information.
- **Internet Address**
You may also obtain North Dakota tax forms, send messages, and find additional information on the Office of State Tax Commissioner's home page. The internet address is: <http://www.state.nd.us/taxdpt>.

Sincerely,

Rick Clayburgh
TAX COMMISSIONER

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PLEASE REMOVE LABEL AND ATTACH TO RETURN

(If information on label is not current, please make correction on label)

Message To North Dakota Taxpayers Regarding North Dakota Use Tax Payable

If, in 1997, you purchased goods and did not pay state or city sales or use tax on that purchase, and if you used those goods in North Dakota, please contact the North Dakota Sales and Special Taxes Division at 701-328-3389 to receive a form on which you must remit North Dakota Use Tax (and applicable city use tax) on the purchase price including shipping and handling costs.

What Is Use Tax?

Use tax is imposed on the privilege of using merchandise in North Dakota. Use tax applies to all goods used in North Dakota that are normally subject to sales tax, if the full sales tax rate was not charged at the time of purchase. Use tax protects in-state businesses from the unfair competition of out-of-state businesses that may sell goods tax free. It also assures fairness to the North Dakota residents who have purchased similar goods within the state and paid the state sales tax.

Why Am I Hearing About Use Tax?

North Dakota use tax law has been in existence since 1939 and applies to individuals as well as businesses. Large growth in the direct marketing industry (catalog, television, shopping channels, internet, direct 800 phone numbers, etc.) has made compliance with the use tax law very important. Some estimates calculate that North Dakota loses from six to ten million dollars per year in uncollected sales taxes on direct marketing goods ordered by residents of this state.

How Is Use Tax Applied?

Example 1: ABC Company purchased office supplies from an out-of-state direct marketing company. North Dakota sales tax was not included in the price paid. ABC Company owes use tax on the purchase price of the goods including all shipping and handling costs.

Example 2: XYZ, Inc. purchased from an out-of-state company a new forklift that will be used in North Dakota to handle inventory. No sales tax was paid to the out-of-state supplier. Because no sales tax was paid on the forklift, XYZ owes use tax on the purchase price.

Legislative Update

1. New Definition for Financial Institution:

Effective December 31, 1996, a new law, North Dakota Century Code ch. 57-35.3 takes effect. This new legislation expands the definition of a financial institution for North Dakota income tax purposes. The new definitions may include some corporations that have been filing under N.D.C.C. ch. 57-38 but now will be required to file under N.D.C.C. ch. 57-35.3. (1997 S.L. ch. 480).

Companies are encouraged to read the definitions below to determine if they now meet the definition of a financial institution, and need to file North Dakota Form 35 for North Dakota tax purposes.

- g. Agency or branch of a foreign depository as defined under Public Law 95-369;
- h. Production credit association organized under the Farm Credit Act of 1933;
- i. Corporation whose voting stock is more than 50% owned directly or indirectly by any of the entities described in a through h above. This does not include an insurance company taxable under N.D.C.C. § 26.1-03-17 or a corporation taxable under N.D.C.C. ch. 57-38;
- j. Corporation or other business entity deriving more than 50% of its total gross income for financial accounting purposes from finance leases; or
- k. Any other person or business entity deriving more than 50% of its gross income from activities that entities described in b through h and j above are authorized to transact. This does not include an insurance company taxable under N.D.C.C. § 26.1-03-17, a real estate broker, a securities dealer, or a person or entity taxable under N.D.C.C. ch. 57-38.

- a. Corporation or other business entity registered under state law as a bank holding company, registered under the Bank Holding Company Act of 1956, as amended, or registered as a savings and loan holding company under the National Housing Act, as amended;
- b. National bank organized and existing as a national bank under the National Bank Act;
- c. Savings association or federal savings bank as defined under the Federal Deposit Insurance Act;
- d. Bank or thrift institution incorporated or organized under the laws of any state;
- e. Trust company organized under the laws of any state, the United States, a dependency or insular possession of the United States, or a foreign country;
- f. Corporation organized under Public Law 63-6, § 25A (relating to foreign banking);

2. Estimated Payments:

For taxable years beginning after December 31, 1996, statutory authority was provided allowing a corporation to apply an overpayment of income tax from one tax year to the succeeding tax year's estimated income tax. In addition, a corporation may elect to apply the overpayment to a specific estimated income tax installment. (1997 S.L. ch. 493).

3. Interest Provisions:

For taxable years beginning after December 31, 1996, if the tax commissioner determined that a

corporation owes additional income tax for a taxable year, and if the corporation had applied an overpayment of income tax for that same taxable year to the succeeding taxable year's estimated income tax, interest on the additional tax owed does not begin to accrue until after the due date of the estimated income tax installment to which the overpayment was applied. This limitation on the accrual of interest applies only to the portion of the additional tax owed that is equal to or less than the amount of the overpayment previously applied. (1997 S.L. ch. 493)

4. Limited Liability Companies:

Effective August 1, 1997, North Dakota Century Code §§ 57-38-07.1 and 57-38.1-17.2 were amended to provide that a limited liability company having two or more members is treated as a partnership for North Dakota income tax purposes if it is treated as a partnership for Federal income tax purposes; otherwise, it must be treated as a corporation for North Dakota income tax purposes. (1997 S.L. ch. 103).

In addition, N.D.C.C. §§ 57-38-07.2 and 57-38.1-17.3 were created to provide that a limited liability company having a single member is treated as a corporation for North Dakota income tax purposes if it is treated as a corporation for Federal income tax purposes; otherwise, it must be disregarded as an entity separate from its owner for North Dakota income tax purposes. (1997 S.L. ch. 103).

5. North Dakota Farm Finance Agency:

Effective August 1, 1997, N.D.C.C. ch. 54-17 was amended to create the North Dakota Farm Finance Agency and to exempt interest earned on bonds issued by the agency from North Dakota income tax. (1997 S.L. ch. 449).

General Instructions

1. Who Must File:

The following corporations must file a 1997 North Dakota Corporation Income Tax Return, Form 40, if the corporations are engaged in business in North Dakota or have sources of income from North Dakota:

- Corporations, including business trusts, associations, and joint-stock companies.
- Cooperative corporations which distribute their net income through patronage dividends.
- Insurance companies which conduct business activities not subject to the North Dakota gross premium tax.
- Tax exempt organizations which have unrelated business taxable income.
- Organizations which anticipate receiving a tax exempt status notification from the Internal Revenue Service, but have not, by the end of the taxable year, actually received such notification.

A corporation which files a Federal Form 1120S as a small business corporation must file a North Dakota Small Business Corporation Income Tax Return, Form 60.

2. Time For Filing:

A calendar year corporation filing Form 40 must file on or before April 15 following the close of the calendar year. A corporation reporting on a fiscal year basis must file on or before the 15th day of the fourth month following the close of the fiscal year. A cooperative must file on or before the 15th day of the ninth month following the close of the calendar or fiscal year.

3. Short Period Return:

A corporation required to file a Federal short period return must also file a North Dakota short period return. The North Dakota return is due on or before the 15th day of the fourth month following the close of the short period.

A corporation which terminates as a Subchapter S Corporation during the year, or a corporation which changes its annual accounting period must annualize its North Dakota taxable income and prorate its State tax liability in the same manner as the Federal tax liability is prorated.

4. Extension Of Time For Filing:

An extension of time within which to file a Federal return is automatically accepted by North Dakota as an extension of time to file the State return. The extended due date for the North Dakota return is the same as the extended due date for the Federal return. A copy of the Federal extension, Form 7004, must be attached to the State return when it is filed. If a copy of the Federal extension is not attached, the return will be processed as a delinquent return.

A State extension to file may be obtained, even if a Federal extension has not been requested, providing a written request is made to the Office of State Tax Commissioner prior to the due date of the North Dakota return.

If a corporation has an extension to file its North Dakota return but has not prepaid its entire State income tax liability, extension interest at the rate of 12% per annum applies. A corporation which desires to avoid extension interest may make a voluntary State payment. The payment must be accompanied by a copy of the Federal extension Form 7004 indicating the appropriate name, address, and Federal Identification Number of the taxpayer corporation, or by the letter approving the State extension.

5. Incomplete Return:

All applicable lines on Form 40 must be completed. A return with incomplete lines or schedules, or with notations such as "see attached statement" or "available upon audit," is not properly filed and will be returned to the taxpayer.

6. Attachments:

A complete copy of the Federal return must be attached to the Form 40. If the corporation is included in a consolidated Federal return, the following must be attached:

- A copy of the corporation's pro forma separate company Federal return.
- Pages 1-4 of the consolidated Federal return as filed with the Internal Revenue Service.
- A schedule of gross income and deductions, by company, which supports the consolidated taxable income.

7. Federalization:

The North Dakota income tax law is perpetually "Federalized" for taxable years beginning after December 31, 1988.

8. Method of Corporation Taxation:

The North Dakota corporation income tax applies only to that portion of a corporation's taxable income which is derived from or attributable to sources within this State.

A nonapportioning corporation, i.e. a corporation whose business activity is conducted solely within North Dakota, computes North Dakota taxable income by adjusting its Federal taxable income by North Dakota statutory adjustments.

An apportioning corporation, i.e. a corporation whose business activity is conducted both within and without North Dakota, computes North Dakota taxable income by adjusting its Federal taxable income by North Dakota statutory adjustments and apportioning this adjusted taxable income using Schedule A, B or CR of Form 40.

A corporation engaged in a unitary business with one or more corporations (irrespective of the country or countries in which the corporations conduct business) must file using the combined report method.

A unitary business is a group of corporations which carries on activities, the component parts of which transfer value among themselves through the unities of ownership, operation and use.

Please attach the pre-addressed label from the cover of this booklet to the address block on Form 40, Page 1, and make any necessary corrections.

General Instructions (Continued)

- "Unity of ownership" means the group is under the common control of a single corporation, which is also a member of the group. Control exists when the single corporation owns, directly or indirectly, more than fifty percent of the voting stock of another corporation.
- "Unity of operation" means the group receives benefits from functional integration or economies of scale.
- "Unity of use" means the group of corporations contributes to or receives benefits from centralized management and policy formation.

Whether a group of corporations is engaged in a unitary business depends on the facts and circumstances of each case. If unity of ownership exists, any of the following facts or circumstances creates a presumption that the unities of operation and use exist; therefore, the corporations are engaged in a unitary business:

- All activities of the group are in the same general line or type of business.
- The activities of the group constitute different steps in a vertically structured enterprise.
- The group is characterized by centralized management.

9. Water's Edge Election:

A corporation required to file its North Dakota return using the worldwide unitary combined report method may elect to use the Water's Edge Method. The water's edge election must be made on the return as originally filed and is binding for five consecutive years. If the election is made, a corporation may not reduce taxable income by a Federal income tax deduction. Additionally, a domestic disclosure spreadsheet must be filed with the Office of State Tax Commissioner the first year the property, payroll, or sales in foreign countries exceed ten million dollars and total assets exceed two hundred fifty million dollars, and every third year thereafter provided the property, payroll, or sales in foreign countries exceed ten million dollars and total assets exceed two hundred fifty million dollars. The form for complying with the spreadsheet requirement must be obtained from the Office of State Tax Commissioner. (If electing the Water's Edge Method, complete and attach Schedule WE).

10. How To Pay:

If tax due (including interest and penalty) is less than \$5.00, payment need not be made. If tax is due, the total payment due must be paid when the return is filed. Payment should be made by check or money order to the North Dakota State Tax Commissioner.

11. Estimated Tax Payments:

If a corporation's estimated State income tax liability exceeds five thousand dollars (\$5,000) and its previous year's State income tax liability exceeded five thousand dollars (\$5,000), the corporation is required to make an estimated tax payment of at least one-fourth of the amount due on each of four prescribed dates. Additional information and the blue 40-ES forms for estimated tax payments are located at the back of this booklet.

12. Overpayments:

Overpayments of income tax may be applied to the 1998 estimated tax (minimum \$5.00), or issued as a refund (minimum \$5.00). A corporation may elect to have the overpayment credited to a 1998 estimated tax installment by circling the appropriate quarter on Form 40, page 1, line 27a to specify the particular installment to which the amount credited is to be applied.

13. Quick Refund:

A quick refund of overpaid estimated income tax may be requested by a corporation if the overpayment exceeds five hundred dollars (\$500) and the claim for quick refund is filed after the close of the taxable year but before the 15th day of the fourth month thereafter. The form for the Quick Refund of Estimated Income Tax for Corporations (Form 40-QR) must be obtained from the Office of State Tax Commissioner.

14. Interest and Penalty:

The Office of State Tax Commissioner will notify the corporation of any interest or penalty owed on additional tax due and any interest which may accrue on a refund. If desired, interest and penalty may be computed by the corporation. See Specific Instructions for Page One, Line 26a, for the current interest and penalty provisions.

15. Amended Returns/Federal Audit Changes:

An Amended North Dakota Corporation Income Tax Return, Form 40X, must be filed if:

- An amended Federal income tax return is filed.
- North Dakota income is changed as a result of a Federal audit.
- A corporation's North Dakota income is changed as a result of a North Dakota net operating loss carryback.
- The corporation wishes to correct an error discovered on a previously filed return.
- The corporation receives a refund of Federal income tax which was deducted on a previously filed Form 40.

Information relating to amended returns can be found in N.D.C.C. §§ 57-38-38 and 57-38-40. **A current Form 40X and instructions for the year to be amended must be obtained from the Office of State Tax Commissioner.**

16. Information At The Source:

Any corporation doing business in North Dakota which is required to file a Federal Form W-2 or 1099 must also file one with this State. For more information on the requirements and alternatives for satisfying those requirements, contact the Office of State Tax Commissioner.

17. Where To File Or Obtain Additional Forms And Instructions:

Completed returns and written requests for information and forms should be mailed to the Office of State Tax Commissioner, State Capitol, 600 E. Boulevard Ave., Bismarck, ND 58505-0599.

Forms and instructions may also be obtained by calling 701-328-2046. For the speech or hearing impaired, the local TDD number is 701-328-2778. The in-state toll-free TDD number is 1-800-453-8950. Obtain North Dakota tax forms, send messages, and find other information on the Office of State Tax Commissioner's home page. The address is <http://www.state.nd.us/taxdpt>.

Complete Copy Of Federal Return Must Be Attached

Specific Instructions For Page One

Line 1. Check the box on Page 1, which best describes the filing method used:

a. Single Corporate Entity

Check the "Single Corporate Entity" box if the corporation is filing as a single corporate entity for both North Dakota and Federal purposes, **or** if the corporation is filing as a single corporate entity for North Dakota purposes and is included in a consolidated Federal Form 1120. A single corporate entity's North Dakota return reports income or loss of only one incorporated business.

If the box entitled "Single Corporate Entity" is checked, enter amount from Federal Form 1120, Line 30, or Federal Form 1120-A, Line 26. Cooperatives and other business organizations using Federal forms other than Federal Form 1120 must enter the Federal taxable income from the appropriate form.

b. Combined Report Method

Check the "Combined Report Method" box if the corporation is filing a North Dakota return using the Combined Report Method, i.e. the corporation apportions its income from a unitary group of corporations, and the corporation is **NOT** filing a consolidated North Dakota return.

If the box entitled "Combined Report Method" is checked, enter the amount from the completed North Dakota Schedule WW, Line 14, and attach Schedule WW to Form 40.

Do not use Schedule CR when using this filing method. See instructions for box b1 or b2 below.

b1. 100% North Dakota Corporations-- Consolidated Return Using the Combined Report Method

Check the "100% North Dakota - Consolidated Return" box if the corporation **is required** to file a consolidated North Dakota return using the Combined Report Method. Two or more corporations are required to file a consolidated return using the Combined Report Method if the corporations are affiliated as parent and subsidiary, are filing a consolidated Federal tax return, and are operating solely within North Dakota.

If the box entitled "100% North Dakota - Consolidated Return" is checked:

- enter the amount from the completed North Dakota Schedule WW, Line 14, and attach Schedule WW to Form 40.
and
- complete North Dakota Schedule CR, Parts I through IV, and attach the completed schedule to Form 40.

b2. Apportioning Corporation-- Consolidated Return Using the Combined Report Method

Check the "Apportioning Corp - Consolidated Return" box if the corporation is filing a consolidated North Dakota return using the Combined Report Method. Two or more corporations may file a consolidated return using the Combined Report Method if the corporations are required to use the Combined Report Method and more than one of the corporations have a filing requirement in North Dakota.

If the box entitled "Apportioning Corp - Consolidated Return" is checked:

- enter the amount from the completed North Dakota Schedule WW, Line 14, and attach Schedule WW to Form 40.
and
- complete North Dakota Schedule CR, Parts I through IV, and attach the completed schedule to Form 40.

c. Water's Edge Method

Check the "Water's Edge Method" box if the corporation is a member of a worldwide unitary group and elects to file a North Dakota return using the Water's Edge Method.

If the box entitled "Water's Edge Method" is checked, enter the amount from the completed North Dakota Schedule WE, Line 11, and attach Schedule WE to Form 40.

If the corporation is filing a consolidated North Dakota return, complete Schedule CR, Parts I through IV, and attach the completed schedule to Form 40.

d. Other

Check the "Other" box if the corporation has received written permission from the Office of State Tax Commissioner to file a North Dakota return using a filing method other than those specified above. Other filing methods are contained in N.D.C.C. § 57-38.1-18 (for example, separate accounting or a method using an apportionment factor different from that computed on Schedules A, B or CR).

If the box entitled "Other" is checked, provide a copy of the letter granting permission to use, or requiring the use of, this filing method and a worksheet substantiating and explaining the computation of income. Enter the total income from this worksheet on Line 1.

Line 5. If completing Schedule CR, enter the amount from Form 40, line 5 on Schedule CR, Part I, Line 5 (for each company) and complete all four parts of Schedule CR.

Line 6. If a corporation has business income from activity solely within this State, enter 1.000000 on this line. Corporations not filing a consolidated return, enter the apportionment factor from Schedule A, Line 6, or Schedule B, Line 14. Corporations completing Schedule CR, must enter the amount from Schedule CR, Part II, Line 14a.

Line 8. Enter nonbusiness income allocated to North Dakota less related expenses. Nonbusiness income is allocated to North Dakota if the income is attributable to North Dakota.

Expenses must be attributed to this income in a manner which fairly distributes all of the corporation's expenses to its various types of income. Corporations completing Schedule CR, must enter the total nonbusiness income for all corporations having activity within North Dakota.

Line 10. Corporations completing Schedule E, enter amount from Line 17. Corporations electing Water's Edge Method, enter zero on this line. Corporations completing Schedule CR, must enter the amount from Schedule CR, Part III, Line 17a.

Line 12. If a corporation has received a new and expanding business exemption from the State Board of Equalization, enter the amount of exemption income computed pursuant to N.D. Admin. Code § 81-03-01.1-06. Corporations completing Schedule CR, must enter the exempt income for all corporations having activity within North Dakota.

Line 13. If the amount on line 13 is a loss, the loss may be carried back and carried forward for the same number of years as a Federal loss. However, the corporation may elect to forego the allowable carryback period and carry forward the entire State loss. To elect to forego the carryback period for a North Dakota loss, check the box below line 13. A corporation must make this election on an original return that is timely filed for the year in which the loss was incurred. If an election is not made, the loss must be carried back. Additional information regarding loss carryback and loss carryforward provisions is contained in N.D.C.C. § 57-38-01.3(3) and N.D. Admin. Code § 81-03-05.1-07.

Line 14. The North Dakota loss carryforward allowed on the 1997 Form 40 is the amount of the accumulated loss less any previously deducted loss carryback or carryforward. Attach a worksheet showing the accumulated loss, by year, less any previously deducted loss carryback or carryforward. Additional information is contained in N.D.C.C. § 57-38-01.3(3) and N.D. Admin. Code § 81-03-05.1-07. Corporations completing Schedule CR, must enter the loss carryforward from all corporations having activity within North Dakota.

Line 16. Corporations completing Schedule AMT-R, enter amount from Line 11 on this line. Corporations completing Schedule CR, must enter the amount from Schedule CR, Part IV, Line 11a.

Lines 19 and 20. Tax credits are available for making contributions to qualifying nonprofit private institutions of secondary and higher education located in North Dakota (including the North Dakota Independent College Fund). The tax credit for contributions made to all eligible schools in *each* category of institution is equal to the lesser of:

- 50% of the contributions; but not to exceed 20% of the total tax liability.
- \$2,500.

Enter on line 19 the tax credit computed for contributions to nonprofit private institutions of higher education (and the North Dakota Independent College Fund), and enter on line 20 the tax credit computed for contributions to nonprofit private institutions of secondary education.

For each contribution, attach a copy of a receipt from the nonprofit private institution or a cancelled check (front and back).

Line 21. A corporation may be entitled to a tax credit for investments made in a North Dakota venture capital corporation. The credit is limited to 25% of the amount invested or \$250,000, whichever is less. If the amount of the credit exceeds the corporation's State tax liability for that taxable year, the credit may be carried forward for up to seven years. A copy of the Venture Capital Corporation Investment Reporting Form must be attached to Form 40 in the initial year the tax credit is claimed. The corporation income tax credit for investments made in a North Dakota venture capital corporation is **NOT** allowed for investments made after February 28, 1991 in a venture capital corporation organized before January 1, 1989 which invested in a business or an affiliate of a business that owned tax-exempt securities. For additional information, contact the Office of State Tax Commissioner.

Line 22. If the corporation made a qualifying investment in the North Dakota Small Business Investment Company, a North Dakota Limited Partnership, enter 25% of the amount invested. If the credit exceeds the amount of the current tax liability, the excess may be carried forward up to seven years. **Attach a copy of the North Dakota SBIC Investment Reporting Form.** For additional information, contact the Office of State Tax Commissioner.

Line 23. Complete Schedule TC, Page 4, to claim the following tax credits:

- Geothermal, solar or wind energy device.
- Employment of the developmentally disabled or chronically mentally ill.
- Research and experimental expenditures in North Dakota.
- New Industry Credit.
- Credit for payment to a certified nonprofit development corporation.
- Credit for cost of equipment to modify a motor vehicle to operate on alternative fuels.

Enter the amount from Schedule TC, line 7 on this line.

Line 25. Enter the total 1997 estimated income tax payments submitted with Form 40-ES. Also, enter any 1996 overpayment credited to the 1997 taxable year and any payment voluntarily made to the State with an extension of time for filing.

Line 26a. The current provisions for interest and penalty are:

- On refunds, 10% per annum, beginning sixty days after the due date of the return or after the date the return was filed, whichever comes later.
- On extensions to file returns, 12% per annum, beginning on the original due date of the return.

Specific Instructions For Page One (Continued)

- On additional tax due, 1% per month or fraction of a month, excepting the month in which the tax became due.

If the return is not filed by the due date (or extended due date), a penalty of 5% of the net tax liability or \$5.00, whichever is greater, applies for the month in which the return is due, with an additional 5% for each additional month (or a fraction of a month) during which the delinquency continues, not to exceed 25% of the net tax liability.

Line 27a. A corporation may elect to have the overpayment credited to a 1998 estimated tax installment by circling the appropriate quarter on Form 40, page 1, line 27a to specify the particular installment to which the amount credited is to be applied.

Specific Instructions For Schedule C**Computation Of Statutory Adjustments**

North Dakota statutory adjustments must be made on a basis consistent with the filing method indicated on Page 1, Line 1.

Line 3. Enter all taxes measured by income, including income taxes, franchise or privilege taxes measured by income (paid to any taxing authority including a foreign country) to the extent such taxes were deducted to arrive at Federal taxable income.

Line 4. North Dakota income tax statutes did not allow for the use of ACRS depreciation on assets placed in service between January 1, 1981 and the end of the 1982 tax year. These assets must be depreciated using methods allowed under the Internal Revenue Code provisions in effect as of December 31, 1980. Federal taxable income must be adjusted for the difference in these two methods. Enter the amount of ACRS depreciation deducted on the Federal return for these assets for the current taxable year.

In computing this adjustment, exclude safe harbor lease assets. Include depreciation on all currently held assets which were placed in service between January 1, 1981 and the end of the 1982 tax year, **not** just such assets which are located within North Dakota.

Line 6. The safe-harbor lease provisions in Section 168(f)(8) of the Internal Revenue Code of 1954, as amended, were not adopted in North Dakota in those instances where the minimum investment by the lessor is less than one hundred percent (100%). Enter amounts on Line 6, as follows:

- Seller/Lessee: sale proceeds, rent expense, amortization expense, lease acquisition cost.
- Buyer/Lessor: interest expense, depreciation expense, amortization expense, acquisition cost, loss on sale of property.

Additional information regarding this adjustment is contained in N.D.C.C. § 57-38-01(3)(a).

Line 8. Enter all income, franchise or privilege tax refunds received in 1997, to the extent such taxes were previously included in North Dakota taxable income.

Please note, Federal income tax refunds received in taxable year 1997 cannot be included on this line. See General Instructions, Section 15.

Line 10. Enter the amount of depreciation computed for the current taxable year on assets placed in service between January 1, 1981 and the end of the 1982 tax year, using methods allowable as of December 31, 1980. (See instructions for Line 4 for further explanation).

In computing this adjustment, exclude safe harbor lease assets. Include depreciation on all currently held assets which were placed in service between January 1, 1981 and the end of the 1982 tax year, **not** just such assets which are located within North Dakota.

Lines 11 and 12. Enter on line 11 all nonbusiness income and enter related expenses on line 12. The method used to attribute expenses to nonbusiness income must fairly distribute all of the corporation's deductions to all of its various types of income.

If an entry is made on this line, all of the following must be attached to Form 40:

- A worksheet showing each type of income or loss item allocated and its amount;
- Documentation showing the state to which the item of income or loss was allocated (*a copy of the other state's tax return is preferred*); and
- A narrative explaining the reasons for allocating each item of income or loss.

Specific Instructions For Schedule C (Continued)

Line 15. Dividends received by a corporation are not taxable in North Dakota if the dividends are received from a corporation which has paid North Dakota corporation income tax pursuant to N.D.C.C. ch. 57-38, or from a bank, trust company or building and loan association which has paid tax pursuant to N.D.C.C. chs. 57-35, 57-35.1, or 57-35.2. If the payor corporation's entire Federal taxable income was subjected to North Dakota taxation, the full amount of the dividends may be subtracted on this line. If the payor corporation is an apportioning corporation, the deduction is computed by multiplying the dividends received by the payor corporation's North Dakota apportionment factor.

Line 16. If the amount on Page 1, Line 1 includes any gain, either ordinary or capital, from property subjected to eminent domain sale or transfer, such gain is not taxable and must be entered on this line.

Section 168(f)(8) of the Internal Revenue Code of 1954, as amended, was not adopted in North Dakota in those instances where the minimum investment by the lessor is less than one hundred percent (100%). Enter amounts as follows:

- Seller/Lessee: interest income and depreciation expense [for assets placed in service between January 1, 1981 and the end of the 1982 taxable year, use methods allowed under the Internal Revenue Code as of December 30, 1980; for assets placed in service after the 1982 taxable year use ACRS depreciation].
- Buyer/Lessor: rental income.

Specific Instructions For Schedule E**Computation Of Federal Income Tax Deduction**

Use The Line Instructions That Apply To The Box That Is Checked On Page 1, Line 1.

Corporations filing a consolidated North Dakota return must complete Schedule CR, Part III (do not complete Schedule E), and refer to the instructions for the "Combined Report Method."

a. Single Corporate Entity

A corporation filing as a single corporate entity for **both** North Dakota and Federal purposes completes Lines 1, 1a, 1b, 5, 6, 7, 8, 9, 10, 11 and 17.

A corporation filing as a single corporate entity for North Dakota purposes **and** included in a consolidated Federal Form 1120 completes Lines 1-11 and 17.

Line 1. Enter the amount from Federal Form 1120, Line 31, or Federal Form 1120-A, Line 27, as filed. Cooperatives or other business organizations using Federal forms other than Federal Form 1120 enter the Federal tax liability from the appropriate form.

Line 1a. Enter the amount of Federal Alternative Minimum Tax (AMT) which has been included on line 1. Federal AMT is disallowed in computing the North Dakota Federal Income Tax Deduction because income which created Federal AMT is not a part of North Dakota taxable income. Disallowed Federal AMT is carried forward and may be recaptured in future tax periods. For more information see Schedule AMT-R on page 4 of Form 40.

Line 2. Enter the Federal income tax liability as computed on the corporation's pro forma separate company return. Attach a worksheet substantiating this computation.

Line 3. Enter the total Federal income tax liability for all corporations included in the consolidated Federal return with each corporation's Federal income tax liability computed on a pro forma separate company return. The separate company tax liability of any corporation which does not result in a positive tax liability shall be zero. Attach a worksheet substantiating this computation.

Line 4. Enter 1.000000 if filing as a single corporate entity for both North Dakota and Federal purposes.

Line 6. Enter the amount from Page 1, Line 1.

Line 7. Enter the income (**before** apportionment) included on Line 6 not taxable to North Dakota, such as interest on U.S. obligations and income allocated outside North Dakota.

Line 11. Enter the apportionment factor from Page 1, Line 6, and proceed to Line 17.

b. Combined Report Method

The following line instructions apply to a corporation which files a North Dakota return using the Combined Report Method (with the exception of a corporation filing a consolidated North Dakota return).

If a corporation tax return includes income from more than one federal tax return, a separate pro forma Schedule E must be completed for each corporation that filed a federal tax return. The amounts on lines 1, 1a, 1b, 5, 6, and 10 from the separate pro forma Schedule E's must be aggregated and the totals entered on the appropriate lines on the corporation's Form 40.

Specific Instructions For Schedule E (Continued)

Line 1. Enter the amount from Federal Form 1120, Line 31, or Federal Form 1120-A, Line 27, as filed. Cooperatives or other business organizations using Federal forms other than Federal Form 1120 enter the Federal tax liability from the appropriate form.

Line 1a. Enter the amount of Federal Alternative Minimum Tax (AMT) which has been included on Line 1. Federal AMT is disallowed in computing the North Dakota Federal Income Tax Deduction because income which created Federal AMT is not a part of North Dakota taxable income. Disallowed Federal AMT is carried forward and may be recaptured in future tax periods. For more information see Schedule AMT-R on page 4 of Form 40.

Do not complete lines 2 and 3, and enter 1.000000 on line 4 if:

- **A consolidated federal return is not filed; or**
- **A consolidated federal return is filed in which all companies included in the consolidated federal return are included in the unitary group.**

Line 2. Enter the separate company pro forma federal income tax liability for all of the unitary corporations which are included in the consolidated Federal return. The separate company tax liability of any corporation which does not result in a positive tax liability shall be zero. Attach a worksheet substantiating this computation.

Line 3. Enter the total pro forma separate company Federal income tax liabilities for all corporations included in the consolidated Federal return. The separate company tax liability of any corporation which does not result in a positive tax liability shall be zero. Attach a worksheet substantiating this computation.

Line 6. Enter the total Federal taxable income for all unitary corporations whose income is included in the Federal Form 1120. Attach a worksheet substantiating this computation.

Line 7. Enter the income (**before apportionment**) included on Line 6 not taxable to North Dakota such as interest on U.S. obligations and income allocated outside North Dakota.

Line 11. If not claiming a foreign tax credit on the Federal income tax return, enter the apportionment factor from Page 1, Line 6, and proceed to Line 17. Corporations filing a consolidated state return, enter the factors from Schedule CR, Part II, Line 14 on Schedule CR, Part III, Line 11.

If claiming a foreign tax credit on the Federal income tax return, skip Line 11 and go to Line 12.

Line 13. "Total income" is Federal taxable income of those corporations which are included in the unitary group and are required to file a Federal income tax return, plus or minus the adjustments (**before** apportionment) provided in N.D.C.C. § 57-38-01.3, except for the Federal income tax deduction. Use the worksheet below to compute the total income to be entered on Line 13, or Schedule CR, Part III, Line 13.

1. Federal taxable income (Schedule E, Line 6)	1	
2. Total additions (Page 1, Line 2)	2	
3. Total subtractions (Page 1, Line 4)	3	
4. Subtotal (Add Lines 1 and 2, subtract Line 3)	4	
5. Net intercompany adjustments in Lines 2 & 3	5	
6. Total income (Subtract Line 5 from Line 4. Enter here and on Schedule E, Line 13, or Schedule CR, Part III, Line 13)	6	

Line 14. Enter the total taxable income from sources without the U.S., **after** loss recapture as computed on Federal form(s) 1118, Part II, Schedule B or Federal form(s) 5735.

c. Water's Edge Method

A corporation electing the Water's Edge Method **cannot** claim a Federal income tax deduction. Do not complete Schedule E and enter \$0 on Page 1, Line 10.

d. Other

A corporation which has checked the box entitled "Other" on Page 1, Line 1, should contact the Office of State Tax Commissioner for specific instructions. Based on the instructions from the Office of State Tax Commissioner, attach a worksheet substantiating the computations.

Specific Instructions For Schedule AMT-R

Computation Of Recapture And Carryforward Of Federal Alternative Minimum Tax Disallowed

North Dakota Schedule AMT-R is used to compute the recapture and carryforward of Federal Alternative Minimum Tax (AMT) which has been disallowed. Federal AMT may be recaptured only if:

- A Federal credit for prior year minimum tax is claimed.
AND
- The recapture does not create or increase a North Dakota net operating loss.

Corporations filing a consolidated State return must complete Schedule CR, Part IV (do not complete Schedule AMT-R.)

The recapture of Federal AMT disallowed is used to reduce North Dakota income on page 1 of the North Dakota Corporation Income Tax Return, Form 40 or Part I of North Dakota Schedule CR for corporations filing a consolidated state return. Any portion of the disallowed Federal AMT remaining after 1997, may be carried forward to future tax periods and used to reduce North Dakota income when a Federal credit for prior year minimum tax is claimed.

For specific line instructions, see Schedule AMT-R on page 4 of Form 40, or Schedule CR, Part IV for corporations filing a consolidated state return.

Additional Information Regarding The Computation Of The North Dakota Federal Income Tax Deduction And The Recapture Of Federal Alternative Minimum Tax Previously Disallowed Is Contained In N.D.C.C. § 57-38-01.3(1)(c) N.D. Admin. Code ch. 81-03-05.5.

Specific Instructions For Schedule TC

Line 1. North Dakota law provides a tax credit to a corporation which purchases a geothermal, solar, or wind energy device in North Dakota. The tax credit is allowed for three years and is computed at 5% of the actual cost of acquisition and installation of the device. Attach a worksheet substantiating date of purchase, actual cost of acquisition and installation, and computation of the tax credit.

Line 2. A corporation may claim a tax credit for a portion of North Dakota wages paid to a developmentally disabled or chronically mentally ill employee. The tax credit is 5% of up to \$6,000 in wages paid to each such employee during the first twelve months of employment. The credit may not exceed 50% of the total tax liability. Only North Dakota wages actually paid during the taxable year may be considered for the tax credit. If this credit is claimed, attach an affidavit listing the amount of wages paid, the name, and the social security number of each employee.

Line 3. A corporation which invests in research and experimental expenditures within North Dakota is entitled to a tax credit. The tax credit is determined by subtracting the base period research expenses (as defined in Section 26 U.S.C. 41(c) of the Internal Revenue Code of 1986, as amended) which are applicable to North Dakota from the qualified research expenses made in North Dakota, and applying the following rates to the resulting difference:

- 8% on the first \$1,500,000, and
- 4% on the excess over \$1,500,000.

If the tax credit exceeds the current income tax liability, any unused tax credit may be carried back for three years and then carried forward for up to fifteen years.

Line 4. A corporation which has been incorporated in North Dakota for the first time after January 1, 1969, and which is not the result of a business reorganization or acquisition, or any out-of-State corporation that has received a certificate of authority to transact business in North Dakota for the first time after January 1, 1969, may be entitled to a tax credit. This tax credit is available only for new enterprises engaged in assembling, fabricating, manufacturing, mixing, or processing of any agricultural, mineral, or manufactured products or any combination

thereof. However, a corporation which is receiving any property tax or income tax exemption allowed by N.D.C.C. chs. 40-57 or 40-57.1 shall not be allowed this credit.

The tax credit is computed as a percentage of the annual gross amount expended by the corporation for salaries and wages within North Dakota. The following percentages apply:

- 1% for each of the first three taxable years a corporation qualifies for the tax credit, and
- .5% for each of the fourth and fifth taxable years a corporation qualifies for the credit.

Attach a worksheet substantiating date of incorporation or initial authority to transact business in this State, annual gross amount of salaries and wages within this State and type of business activity.

Line 5. A tax credit is available to a corporation which invests in a certified nonprofit development corporation. The maximum tax credit allowed is 25% of the total investment, not to exceed \$2,000. Any unused credit may be carried forward for up to seven years.

Line 6. For taxable years beginning after December 31, 1992, a tax credit is available to a corporation which installs equipment that modifies a North Dakota licensed motor vehicle to operate on alternative fuels. The credit is equal to 10% of the cost of the equipment, up to a maximum credit of \$200 for each motor vehicle weighing 10,000 pounds or less, or up to a maximum credit of \$500 for each motor vehicle weighing over 10,000 pounds.

"Alternative fuels" means natural gas, compressed natural gas, liquefied petroleum gas, liquefied natural gas, hydrogen, electricity, and any other fuel consisting of at least 85% methanol, ethanol, or any other alcohol, ether, or combination thereof.

Attach a worksheet that specifies date of modification; vehicle make, model, year and gross weight; cost of equipment; and type of alternative fuel. Provide the computation of the tax credit and proof of equipment cost.

Form
40
L01

North Dakota Corporation Income Tax Return

CHECK ☐ Calendar Year January 1, 1997, to December 31, 1997

ONE: ☐ Fiscal Year beginning _____, 19__ and ending _____, 19__

1997

Is An Extension Attached? ➤ Yes <input type="checkbox"/> No <input type="checkbox"/>	Please Use Mailing Label (If none, type or print)		Federal Employer Identification No.	
	Name			
Date of Incorporation	Mailing Address		Is this a farming or ranching corporation? ➤ Yes <input type="checkbox"/> No <input type="checkbox"/>	
Final Return ➤ Yes <input type="checkbox"/> No <input type="checkbox"/>	City, State, Zip Code	Phone	Business Code (From Federal return)	

Taxable Income Computation

1. Income from (See tax booklet for instructions before checking appropriate box):
- a. ☐ Single Corporate Entity b. ☐ Combined Report Method b1. ☐ 100% North Dakota Consolidated Return b2. ☐ Apportioning Corp Consolidated Return c. ☐ Water's Edge Method d. ☐ Other (LA)
2. Total additions (Enter amount from Schedule C, Line 7) (LB)
3. Total (Add Lines 1 and 2) (LC)
4. Total subtractions (Enter amount from Schedule C, Line 17) (LC)
5. North Dakota apportionable income (Subtract Line 4 from Line 3) (See instructions)
6. Apportionment Factor (See instructions) (LE) **6** - . - - - - -
7. Income apportioned to North Dakota (Line 5 multiplied by Line 6)
8. Income allocated to North Dakota less related expenses (LF)
9. North Dakota income (Add Lines 7 and 8) (LG)
10. Federal tax deduction (See instructions) (AJ)
11. Subtotal (Subtract Line 10 from Line 9)
12. Exemption for New and Expanding Business (See instructions) (LH)
13. N.D. income after Fed. Tax Deduction & Exemption for New & Expanding Business (Subtract Ln. 12 from Ln. 11)
- ☐ If the amount on line 13 is a loss, check this box to forego the carryback period (See instructions for line 13)
14. North Dakota loss carryforward (Attach worksheet - See instructions) (CL)
15. Balance (Subtract Line 14 from Line 13)
16. Recapture of Federal alternative minimum tax (See instructions) (AN)
17. North Dakota taxable income (Subtract Line 16 from Line 15) (LI)

Round Off To Dollars

Tax Computation

18. Income tax due (See tax rate table below) (Corp. filing a consol. return, enter amt. from Sch. CR, Part I, Ln. 18a) (LJ) 18

Tax Credits

19. Credit for contributions to nonprofit private colleges (See instructions) (LK) 19
20. Credit for contributions to nonprofit private high schools (See instr.) (LL) 20
21. Venture capital corporation credit (See instructions) (LU) 21
22. North Dakota Small Business Investment Company (LW) 22
23. Other credits (Enter amount from Schedule TC, Line 7. See instructions) 23

Balance Due Or Overpayment

24. Net income tax liability (Subtract Lines 19 through 23 from Line 18) 24
25. 1997 Estimated Income Tax payments and payment with extension (See instructions) (LN) 25
26. If Line 24 is greater than Line 25, enter difference as **BALANCE DUE** (Enter \$0 if less than \$5) (LR) 26
- a. Interest and penalty for Balance Due on Line 26 (See instructions) (LQ) 26a
- b. Total **Payment Due** (Add Lines 26 and 26a - Pay to North Dakota State Tax Commissioner) 26b
27. If Line 25 is greater than Line 24, enter difference as **OVERPAYMENT** (Enter \$0 if less than \$5) (LV) 27
- a. Amount of Line 27 to be credited to 1998 estimated tax (Minimum \$5) (Apply to quarter 1st 2nd 3rd 4th) (AI) 27a
- b. Amount of Line 27 to be **Refunded** (Subtract Line 27a from Line 27. No refund under \$5) 27b

Complete Copy
Of Federal Return
Must Be Attached

File With
State Tax Commissioner
State Capitol
600 E. Boulevard Ave.
Bismarck, ND 58505-0599

I declare under the penalties of North Dakota Century Code § 12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct, and complete return.

Date: _____ Signature of Officer: _____ Title: _____

Date: _____ Signature of Preparer: _____ Address: _____

Tax Rate Table

If the amount on Line 17 is not over \$3,000	3%
\$ 3,000 to \$ 8,000	\$ 90.00 plus 4.50% of excess over \$ 3,000
\$ 8,000 to \$ 20,000	\$ 315.00 plus 6.00% of excess over \$ 8,000
\$ 20,000 to \$ 30,000	\$ 1,035.00 plus 7.50% of excess over \$ 20,000
\$ 30,000 to \$ 50,000	\$ 1,785.00 plus 9.00% of excess over \$ 30,000
Over \$50,000	\$ 3,585.00 plus 10.50% of excess over \$ 50,000

PLEASE DO NOT WRITE IN THIS SPACE

Schedules A & B Are To Be Completed Only By Those Corporations Which Are Apportioning Income To North Dakota And Not Filing A Consolidated State Return. The Apportionment Of Income Must Be Computed On A Basis Consistent With The Filing Method Indicated On Page 1, Line 1.

Schedule A: Apportionment Of Income To North Dakota For Financial Organizations Only

1. Total		2. North Dakota	3. Factor
(Column 2 divided by Column 1 = Column 3)			
1		(AA)	(AB) — • — — — — —
Property Factor: (Average value at original cost)			
1. Tangible property held and owned for business use			
Business Factor:			
2			(Use 6-digit decimal only)
3			
4		(AC)	
5	Sum of North Dakota property and business factors (Add Lines 1 and 4)	5	— • — — — — —
6	One-Half Of Line 5 (Enter factor here and on Page 1, Line 6)	6	(AE) — • — — — — —

Schedule B: Apportionment Of Income To North Dakota For NonFinancial Corporations Not Filing A Consolidated State Return.
If Filing A Consolidated North Dakota Return, Use Schedule CR, Part II. Do Not Use Schedule B.

1. Total		2. North Dakota	3. Factor
1			(Column 2 divided by Column 1 = Column 3)
2			
3			
4			
5			
6			
7		(BA)	
Property Factor: Average value at original cost of real and tangible personal property used in the business. (Exclude value of construction in progress)			
1. Inventories			
2. Buildings and other fixed depreciable assets			
3. Depletable assets			
4. Land			
5. Other assets (Detail)			
6. Rental property (Annual rental capitalized x 8)			
7. Total property (Add Lines 1 through 6)			
Payroll Factor:			
8. Wages, salaries, commissions and other compensation of employees which were included in the Federal Form 1120, or Federal Form 1120-A. (If the amount reported in Column (2) does not agree with the total compensation reported for North Dakota unemployment insurance purposes, attach an explanation).		8	(BC) — • — — — — —
Sales Factor:			
9. Gross receipts or sales, less returns and allowances (Federal Form 1120 or Federal Form 1120-A, Line 1c)		9	
10. Sales delivered or shipped to North Dakota destinations		10	
11. Sales shipped from North Dakota to:		11	
(a) The United States Government		(a)	
(b) Purchasers in a state or foreign country where the taxpayer was not subject to a net income tax or a tax measured by net income or, if subject, did not actually pay such tax.		(b)	
12. Total sales (Add Lines 9 through 11)		12	(BE) — • — — — — —
13. Sum of factors (Add Lines 7, 8, and 12)		13	— • — — — — —
14. Divide Line 13 by the number of factors having an amount greater than zero in column 1, on Lines 7, 8 and 12.		14	(BG) — • — — — — —

The Following Questions Must Be Answered

- 1. Yes ☐ No ☐ Has the IRS made adjustments to any previously filed returns?
- 2. Yes ☐ No ☐ If the answer to the above question is yes, have all such adjustments been reported to this State?
- 3. Yes ☐ No ☐ Has Form 1120S been filed for Federal purposes? If yes, file North Dakota Form 60, not a North Dakota Form 40.
- 4. Yes ☐ No ☐ Is this a tax exempt corporation? If yes, enter date that tax exempt status was granted by IRS. ____/____/____.
- 5. Yes ☐ No ☐ Has this corporation filed as a cooperative, a Foreign Sales Corporation, or a Domestic International Sales Corporation for Federal purposes?
- 6. Yes ☐ No ☐ Does this corporation use the combined report method in any other States? If yes, attach a worksheet showing all States where the combined report method is used.
- 7. Yes ☐ No ☐ Does this corporation file its Federal income tax return as a member of a consolidated group? If yes, **please enter the Federal Employer Identification Number under which the consolidated return is filed.** ➤ (AM)

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 Federal Employer Identification No.
- 8. Yes ☐ No ☐ Does the numerator of the apportionment factor include the property, payroll or sales of more than one corporation required to file in this State? If yes, attach a list of all such corporations.
- 9. Yes ☐ No ☐ Is this a limited liability company?
- 10. Yes ☐ No ☐ Has this corporation changed names, been involved in a merger, reorganization or takeover during this taxable year? If so provide former name and details of change. _____
 (Former Name)

Name as shown on return

Federal Employer I.D.

Schedule C: Computation Of Statutory Adjustments
(See Tax Booklet For Instructions)

Additions

1. Federal net operating loss deduction (Federal Form 1120, Line 29a or Federal Form 1120-A, Line 25a)	(CA)	1	
2. Special deductions (Federal Form 1120, Line 29b or Federal Form 1120-A, Line 25b)	(CB)	2	
3. All income taxes, franchise or privilege taxes measured by income, which were deducted to determine Federal taxable income (See instructions)	(CC)	3	
4. North Dakota depreciation adjustment (See instructions)	(CE)	4	
5. Interest on state and local obligations (Excluding North Dakota obligations)	(CF)	5	
6. Other additions (Attach worksheet - See instructions)	(CG)	6	
7. Total additions (Add Lines 1 through 6. Enter amount here and on Page 1, Line 2)		7	

Subtractions

8. Tax refunds received in 1997 (Attach worksheet - See instructions)	(CH)	8	
9. Interest on United States obligations	(CI)	9	
10. North Dakota depreciation adjustment (See instructions)	(CJ)	10	
11. Allocable income (Attach worksheet - See instructions)	(LS)	11	
12. Related expenses (Attach worksheet - See instructions)	(LT)	12	
13. Balance (Subtract Line 12 from Line 11)	(LD)	13	
14. Interest on bonds issued by a regional railway authority in North Dakota	(CM)	14	
15. North Dakota domestic dividend exclusion (See instructions)	(CN)	15	
16. Other subtractions (Attach worksheet - See instructions)	(CO)	16	
17. Total subtractions (Add Lines 8, 9, 10, 13, 14, 15, and 16. Enter amount here and on Page 1, Line 4)		17	

Schedule E: Computation Of Federal Income Tax Deduction
(Complete Lines 1-9 of Page 1 before completing this schedule)
(See Tax Booklet For Instructions)

(Corporations filing a consolidated North Dakota return, use Schedule CR, Part III. Do not complete Schedule E.)

1. Federal income tax liability (See instructions)	(EA)	1	
1a. Federal alternative minimum tax liability (See instructions)	(EG)	1a	
1b. Adjusted Federal income tax liability (Subtract Line 1a from Line 1)		1b	
2. Separate company(ies) Federal income tax liability (Attach worksheet - See instr.) ..		2	
3. Profit companies Federal income tax liability (Attach worksheet - See instr.)		3	
4. Ratio: (Divide Line 2 by Line 3. Not to exceed 1.000000)		4	— • — — — —
5. Separate company(ies) share of Federal income tax liability (Multiply Line 1b by Line 4)	(EB)	5	
6. Federal taxable income (Attach worksheet - See instructions)		6	
7. Income not taxable to North Dakota (See instructions)		7	
8. Balance (Subtract Line 7 from Line 6)		8	
9. Ratio: (Divide Line 8 by Line 6. Not to exceed 1.000000)		9	— • — — — —
10. Federal tax on Federal taxable income reportable to North Dakota (Multiply Line 5 by Line 9)	(CK)	10	

Corporations using the combined report method and claiming a Federal foreign tax credit skip Line 11 and use Lines 12 - 16. Other corporations must use Line 11.

11. North Dakota apportionment factor (Enter amount from Page 1, Line 6 and go to Line 17 - See instructions)		11	— • — — — —
12. North Dakota income (Enter amount from Page 1, Line 9)		12	
(If zero or less, skip Lines 13 through 16 and use Line 11 of this schedule).			
13. Total income (See instructions)		13	
(If zero or less, skip Lines 14 through 16 and use Line 11 of this schedule).			
14. Income relating to Foreign Tax Credit (See instructions)		14	
(If zero, skip Lines 15 and 16 and use Line 11 of this schedule).			
15. Income relating to Federal income tax paid (Subtract Line 14 from Line 13) ...		15	
(If zero or less, skip Line 16 and use Line 11 of this schedule).			
16. Federal income tax ratio (Divide Line 12 by Line 15 and go to Line 17. Not to exceed 1.000000)	(EC)	16	— • — — — —
17. Federal tax deduction (Multiply Line 10 by either Line 11 or Line 16. Enter amount here and on Page 1, Line 10)	(ED)	17	

Complete Line 11**Or Line 16****but Not Both**

Name as shown on return

Federal Employer I.D.

Schedule AMT-R:**Computation Of The Recapture And Carryforward Of Federal Alternative Minimum Tax Disallowed
In Computing North Dakota Federal Income Tax Deduction**

(See Tax Booklet For Instructions)

(Corporations filing a consolidated North Dakota return, use Schedule CR, Part IV. Do not complete Schedule AMT-R.)

1. 1997 Federal alternative minimum tax (Enter amount from Form 40, Schedule E, Line 1a)	1	
2. Ratio from Form 40, Schedule E, Line 4, if no ratio on line 4, enter 1.000000	2	— . — — — — —
3. Multiply Line 1 by Line 2	3	
4. Ratio from Form 40, Schedule E, Line 9	4	— . — — — — —
5. Multiply Line 3 by Line 4	5	
6. Ratio from Form 40, Schedule E, Line 11, or Form 40, Schedule E, Line 16, whichever is applicable	6	— . — — — — —
7. Multiply Line 5 by Line 6	7	
8. Carryforward of Federal AMT disallowed (Enter amount from 1996 Form 40, Schedule AMT-R, Line 12)	8	
9. Total Federal AMT disallowed (Add Lines 7 and 8)	9	
Corporations claiming a Federal credit for prior year minimum tax on the 1997 Federal return complete Lines 10-12. Other corporations enter the amount from Line 9 on Line 12.		
10. Enter the amount from the 1997 Form 40, Page 1, Line 15	10	
11. If Line 10 is zero or less enter zero here and on the 1997 Form 40, Page 1, Line 16, otherwise, enter the smaller of Line 9 or Line 10 here and on the 1997 Form 40, Page 1, Line 16	11	
12. Available carryforward of Federal AMT disallowed (Subtract Ln. 11 from Ln. 9 if completing Ln. 10 and 11) . (RA)	12	

Schedule TC: Computation Of Other Tax Credits
(See Tax Booklet For Instructions - Attach Complete Documentation)

1. Geothermal, solar or wind energy device tax credit (Attach worksheet - See instructions)	(LM)	1	
2. Credit for employment of the developmentally disabled or chronically mentally ill (See instr.)	(LX)	2	
3. Credit for research and experimental expenditures within North Dakota (See instructions)	(LY)	3	
4. Tax credit for new industry (Attach worksheet - See instructions)	(AK)	4	
5. Credit for payment to a certified nonprofit development corporation (See instructions)	(AG)	5	
6. Credit for modifying motor vehicle to operate on alternative fuels (See instructions)	(AO)	6	
7. Total other credits (Add Lines 1 through 6. Enter amount here and on Page 1, Line 23)		7	

All Applicable Lines On All Schedules Must Be Completed. Incomplete Schedules Or Remarks Such As "See Attached Worksheets," "Available Upon Audit" And Other Statements Cannot Be Accepted.

Name as shown on return

Federal Employer I.D.

Schedule WW: Combined Report Method Income Schedule

1. Federal taxable income (Consolidated Federal Form 1120, Line 30) (LA)	1		See instructions for Lines 1 and 3
2. Taxable income or loss included on Line 1 from nonunitary corporations (Attach worksheet) (WN)	2		
3. Taxable income or loss included on Line 1 from financial institutions located or doing business in N.D. (attach worksheet-see instr.)	3		
4. Balance (Subtract Lines 2 and 3 from Line 1)	4		
5. Taxable income or loss not included on Line 1 from unitary corporations required to file a Federal income tax return (Attach worksheet) (WU)	5		
6. Book income before income taxes of unitary foreign corporations (Attach worksheet)	6		See instructions for Lines 6 and 7
7. Optional: Book to tax reconciliation (Attach worksheet)	7		
8. Subtotal (Add Lines 6 and 7) (WF)	8		
9. Income or loss from Interest Charge DISC (Attach worksheet)	9		See instructions for Lines 9 and 10
10. Income or loss from Foreign Sales Corporations (Attach worksheet)	10		
11. Subtotal (Add Lines 9 and 10)	11		
12. Income or loss from Internal Revenue Code of 1986, as amended, Section 936 Possession Corporations	12		
13. Intercompany eliminations for members of the unitary group (Attach worksheet)	13		
14. Total income (Add Lines 4, 5, 8, 11 and 12 then subtract Line 13. Enter amount here and on Form 40, Page 1, Line 1, and check the appropriate box on Form 40, Page 1, Line 1) (WW)	14		

Combined Report Method Instructions

An apportioning corporation (see **Method of Corporation Taxation** on page 1) of General Instructions which is a member of a unitary group but has not elected the Water's Edge Method is required to file its North Dakota income tax return using the Combined Report Method. A "unitary group" is a group of affiliated corporations engaged in a unitary business, irrespective of the country or countries in which the corporations conduct business activity (worldwide). An "affiliated corporation" means a parent corporation and any corporation of which more than fifty percent of the voting stock is owned directly or indirectly by the parent corporation or another member of the unitary group.

Two or more 100% North Dakota corporations affiliated as parent and subsidiary, and filing a consolidated federal tax return must file one consolidated North Dakota return using the "Combined Report Method."

A corporation filing its North Dakota income tax return using the Combined Report Method must include only the apportionment factors and statutory adjustments of the group.

Corporations completing Schedule CR must also complete Schedule WW to arrive at "total income."

Schedule WW Specific Line Instructions

Line 1. Enter the amount from the consolidated Federal Form 1120, Line 30. If more than one consolidated Federal return is filed, enter the total of all the consolidated Federal Forms 1120, Line 30. If a consolidated Federal return is not filed, enter zero on Lines 1, 2 and 3 then proceed to Line 5.

Line 3. Enter the amount of taxable income/loss included on Line 1 from each financial institution located or doing business within this state which files a North Dakota Form 35.

Line 6. Enter, on Line 6, book income before income taxes of all unitary foreign corporations not eligible to be included in the consolidated Federal income tax return or not required to file a Federal income tax return.

Line 7. N.D. Admin. Code ch. 81-03-05.3 provides a choice either to adjust or not adjust the book income of all unitary foreign corporations to conform with the Internal Revenue Code of 1986, as amended. If a corporation chooses to make the book to tax adjustments, the adjustments must be made for all unitary foreign corporations and the total of such adjustments must be entered on Line 7. If a corporation chooses not to make the book to tax adjustments, enter \$0 on Line 7.

Lines 9 and 10. Enter all exempt and nonexempt income before income taxes from the Federal Form 1120-IC-DISC or Federal Form 1120-FSC.

Name as shown on return

Federal Employer I.D.

Schedule WE: Water's Edge Method Income Schedule

1. Federal taxable income (Consolidated Federal Form 1120, Line 30) (LA)	1		Worksheets containing details of Lines 2, 3, 4 and 5 are required.
2. Income or loss not included in Line 1 from affiliated corporations required to file a Federal income tax return	2		
3. Reversal of intercompany eliminations between water's edge corporations and non-water's edge corporations	3		
4. Intercompany eliminations for water's edge group corporations	4		
5. Total foreign dividends included in Line 1	5		
6. Taxable income or loss included in Line 1 or 2 from 80/20 corps.	6		
7. Balance (Add Lines 1, 2 and 3 then subtract Lines 4, 5 and 6)	7		
8. Foreign dividends to be included in water's edge income (Multiply Line 5 by 30%) (See General Definitions and enter amount on Line 8)	8		
9. Total net book income of 80/20 corporations (Attach worksheet)	9		
10. Net book income of 80/20 corporations to be included in water's edge income (Multiply Line 9 by 30%) (See General Definitions and enter amount on Line 10)	10		
11. Total water's edge income (Add Lines 7, 8 and 10. Enter amount here and on Page 1, Line 1, and check the box entitled "Water's Edge Method.") (WE)	11		

Water's Edge Method Election Instructions

A corporation required to file its North Dakota return using the worldwide unitary combined report method must do so unless it elects to apportion its income using the Water's Edge Method. A corporation elects and maintains the Water's Edge Method by checking the box entitled "Water's Edge Method" on Page 1, Line 1, and completing Schedule WE. A corporation electing the Water's Edge Method must comply with all of the following: a. The election must be made on the return as originally and timely filed. b. The corporation may not reduce taxable income for Federal taxes deducted under N.D.C.C. § 57-38-01.3(1)(c). c. The Water's Edge election is binding for five consecutive taxable years upon making the election. d. The corporation must file with the Tax Commissioner a domestic disclosure spreadsheet the first year the property, payroll, or sales in foreign countries exceed ten million dollars and total assets exceed two hundred fifty million dollars, and every third year thereafter provided the property, payroll, or sales in foreign countries exceed ten million dollars and total assets exceed two hundred fifty million dollars. The domestic disclosure spreadsheet must be filed by a corporation with its North Dakota income tax return. However, if the information is not available when the return is filed, a corporation may file the spreadsheet within six months after the due date of the return, including any extensions. The form for complying with the spreadsheet requirement must be obtained from the Office of State Tax Commissioner.

A corporation electing the Water's Edge Method must include only the apportionment factors and statutory adjustments of the Water's Edge group.

Schedule WE General Definitions

"Water's Edge group" includes affiliated corporations incorporated in the U.S., excluding 80/20 corporations, affiliated corporations incorporated in a possession of the U.S., DISCs, FSCs, export trade corporations and foreign affiliated corporations which meet a defined minimum of U.S. activity.

"Affiliated corporation" means a parent corporation and any corporation of which more than fifty percent of the voting stock is owned directly or indirectly by the parent corporation or another member of the Water's Edge group

"Reversal of intercompany eliminations between water's edge corporations and 80/20 corporations" means the reversal of eliminations made between Water's Edge corporations and 80/20 corporations that are included in the federal consolidated return. Dividends, interest, royalties, capital gains and losses, intercompany profit on sales, etc. between Water's Edge corporations and 80/20 corporations that have been eliminated in preparing the consolidated federal return must be reversed.

"Intercompany eliminations for Water's Edge group corporations" are eliminations of intercompany transactions between companies included in line 1 and companies included in line 2.

"80/20 corporation" is a corporation that is incorporated in the U.S., is eligible to be included in the Federal consolidated return as defined in N.D.C.C. § 57-38.4-01(5) and has eighty percent of its average property and payroll assigned to locations in foreign countries.

"Foreign dividends" means any dividend received by a member of the water's edge group from any affiliated corporation incorporated outside the fifty states and District of Columbia, including amounts included in income computed under sections 951 through 954 of the Internal Revenue Code of 1986, as amended.

"Net book income of an 80/20 corporation" means net book income for financial statement purposes. However, a corporation's net book income cannot be offset by a net book loss from another 80/20 corporation. In addition, when calculating net book income, an expense cannot be taken for Federal income taxes that are eliminated through the application of foreign tax credits.

"Recision of a water's edge election". A corporation's Water's Edge election is rescinded if:

- It has had more than 50% of its voting stock acquired by a nonaffiliated corporation.
- It was formed as the result of a reorganization or spinoff and is no longer a member of the water's edge group.
- It is completely liquidated. The water's edge election of any corporation receiving liquidated assets is not affected.

Additional Information Regarding the Water's Edge Method Is Contained In North Dakota Century Code ch. 57-38.4 and North Dakota Administrative Code ch. 81-03-05.2.

Name as shown on return

Federal Employer I.D.

Schedule CR:
Computation Of Tax Due
For Corporations Filing A
Consolidated Return Using The Combined Report Method

**Corporations Having
Activity Within
North Dakota**

Corporation A	Name ➤	Federal Employer I.D. ➤
Corporation B	Name ➤	Federal Employer I.D. ➤
Corporation C	Name ➤	Federal Employer I.D. ➤

Part I: Computation Of Income Tax Due:

Before starting Part I of this schedule, complete Lines 1-5 on Form 40, Page 1

	Corporation A	Corporation B	Corporation C
5. North Dakota apportionable income (Enter amount in Columns A, B & C from Form 40, Page 1, Line 5)			
6. Apportionment factor (Enter factor from Part II, Line 14)	— — — — —	— — — — —	— — — — —
7. Income apportioned to North Dakota (Line 5 multiplied by Line 6)			
8. Income allocated to North Dakota \$ <input type="text"/> less related expenses \$ <input type="text"/>			
9. North Dakota income (Add Lines 7 and 8)			
10. Federal tax deduction (Enter amount from Part III, Line 17)			
11. Subtotal (Subtract Line 10 from Line 9)			
12. Exemption for New and Expanding Business (Attach worksheet) (See instructions, Form 40, Line 12)			
13. North Dakota income after Federal tax deduction & Exemption for New and Expanding Business (Subtract Line 12 from Line 11)			
➤ <input type="checkbox"/> If the amount on line 13 is a loss, check this box to forgo the carryback period			
14. North Dakota loss carryforward (Attach worksheet) (See instructions, Form 40, Line 14)			
15. Balance (Subtract Line 14 from Line 13)			
16. Recapture of Federal alternative minimum tax (Enter amount from Part IV, Line 11)			
17. North Dakota taxable income (Subtract Line 16 from Line 15)			
18. Income Tax Due (See tax rate table on Form 40, page 1)			

18a. **Total Income Tax Due** (Add amounts on Line 18, Columns A, B & C, and enter the total amount here and on Form 40, Page 1, Line 18 and complete Lines 19 through 27, on Form 40)

(GA)

18a

Instructions For Consolidated Return Using The Combined Report Method

- All corporations filing a consolidated North Dakota return, (i.e., those corporations checking either box b1 or box b2 on Form 40, Page 1, Line 1) must complete the four parts of Schedule CR and attach the completed schedule to Form 40 when filed.
- On the top of this page, space has been provided for three corporations (corporations A, B & C) having activity within North Dakota. If space is needed for additional corporations having activity within North Dakota, additional copies of Schedule CR can be obtained by photocopying all four parts of this original schedule or by requesting additional copies from the Office of State Tax Commissioner.
- Complete Form 40, Page 1, Lines 1-5 before starting to complete Schedule CR, Part I.
- Schedule CR has been designed so that the instructions for Form 40 in the booklet also apply to the line numbers on Schedule CR. For example, the instructions for Form 40, Page 1, Lines 5-18 also apply to Schedule CR, Part I, Lines 5-18.
- After completing Schedule CR, Part I, certain totals must be entered on Form 40. For each Line 8, 12, and 14, total the amounts for all corporations included on Schedule CR, Part I. Enter the total from Line 8 onto Line 8 of Form 40, Page 1; enter the total from Line 12 onto Line 12 of Form 40, Page 1; enter the total from Line 14 onto Line 14 of Form 40, Page 1.

Name as shown on return

Federal Employer I.D.

Schedule CR, Part II: Computation Of Factor For Corporations Filing A Consolidated Return Using The Combined Report Method

Property Factor: Average value at original cost of real and tangible personal property used in the business
(Exclude value of construction in progress)

Average Property:	Everywhere Average Property of All Corporations Being Combined	North Dakota Average Property		
		Corporation A	Corporation B	Corporation C
1. Inventories	1			
2. Buildings and Other Depreciable Assets	2			
3. Depletable Assets	3			
4. Land	4			
5. Other Assets	5			
6. Rental Property (annual rental capitalized x 8)	6			
7. Total Property (Add Lines 1 through 6)	7			
7a. Property Factor (Divide N.D. Total Average Property by Total Everywhere Average Property)		7a	— . — — — —	— . — — — —
7b. Total Property Factor (Add amounts on Line 7a, Columns A, B & C)			7b	— . — — — —

Payroll Factor: Wages, salaries, commissions and other compensation

	Everywhere Payroll All Corporations Being Combined	North Dakota Payroll		
		Corporation A	Corporation B	Corporation C
8. Payroll	8			
8a. Payroll Factor (Divide N.D. Payroll by Everywhere Payroll)		8a	— . — — — —	— . — — — —
8b. Total Payroll Factor (Add amounts on Line 8a, Columns A, B & C)			8b	— . — — — —

Sales Factor:

	Everywhere Sales All Corporations Being Combined	North Dakota Sales		
		Corporation A	Corporation B	Corporation C
9. Everywhere Sales	9			
10. Sales delivered or shipped to North Dakota destinations		10		
11. Sales shipped from North Dakota to:				
(a) The United States Government		11a		
(b) Purchasers in a state or foreign country where the taxpayer was not subject to a net income tax or a tax measured by net income, or if subject, did not actually pay such tax		11b		
(c) Total North Dakota Sales (Add Lines 10, 11a and 11b)		11c		
12. Sales Factor (Divide Total N.D. Sales by Everywhere Sales)		12	— . — — — —	— . — — — —
12a. Total Sales Factor (Add amounts on Line 12, Columns A, B & C)			12a	— . — — — —
13. Sum of the Factors (Add Lines 7a, 8a and 12)		13	— . — — — —	— . — — — —
14. Apportionment Factor (Divide Line 13 by the number of factors having an amount greater than zero in the everywhere column, on Lines 7, 8 and 9) (Enter factor here and on Part I, Line 6, and Part III, Line 11, if applicable)		14	— . — — — —	— . — — — —
14a. Total Factor (Add amounts on Lines 7b, 8b and 12a. Divide the sum by three, and enter the total amount here and on Form 40, Page 1, Line 6)			14a	— . — — — —

Name as shown on return

Federal Employer I.D.

**Schedule CR, Part III: Computation Of Federal Income Tax Deduction
For Corporations Filing A Consolidated Return Using The Combined Report Method**

1. Federal income tax liability (See instructions in Booklet for Schedule E) (EA)
- 1a. Federal alternative minimum tax liability (See instructions in Booklet for Schedule E) (EG)
- 1b. Adjusted Federal income tax liability (Subtract Line 1a from Line 1)

1	
1a	
1b	

2. Separate company(ies) Federal income tax liability (Attach worksheet - See instructions)
3. Profit companies Federal income tax liability (Attach worksheet - See instructions)
4. Ratio: (Divide Line 2 by Line 3. Not to exceed 1.000000)
5. Separate company(ies) share of Federal income tax liability (Multiply Line 1b by Line 4) (EB)

2	
3	
4	— . — — — — —
5	

6. Federal taxable income (See instructions)
7. Income not taxable to North Dakota (See instructions)
8. Balance (Subtract Line 7 from Line 6)
9. Ratio: (Divide Line 8 by Line 6. Not to exceed 1.000000)

6	
7	
8	
9	— . — — — — —

10. Federal tax on Federal taxable income reportable to North Dakota (Multiply Line 5 by Line 9) (Enter here and in Columns A, B & C) (CK)

10	
----	--

Corporations using the combined report method and claiming a Federal foreign tax credit, skip Line 11 and use Lines 12-16. Other corporations must use Line 11.

11. North Dakota Apportionment Factor (Enter factor from Part II, Line 14)
12. North Dakota income (Enter amount from Part I, Line 9) (If zero or less, skip Lines 13 through 16 and use Line 11)
13. Total income (If zero or less, skip Lines 14 through 16 and use Line 11 of this schedule) (See instructions in Form 40, Schedule E, Combined Report Method, Page 7, Line 13)
14. Income relating to Foreign Tax Credit (If zero, skip Lines 15 and 16 and use Line 11) (See instructions in Form 40, Schedule E, Combined Report Method, Page 7, Line 14)
15. Income relating to Federal income tax paid (Subtract Line 14 from Line 13) (If zero or less, skip Line 16 and use Line 11)
16. Federal income tax ratio (Divide Line 12 by Line 15 and go to Line 17. Not to exceed 1.000000)

Additional Information Regarding The Filing Of A Consolidated North Dakota Return Using The Combined Report Method Is Contained In North Dakota Century Code § 57-38-14(11) and North Dakota Administrative Code §§ 81-03-05.1-08, 81-03-05.2 and 81-03-05.3.

Corporation A Corporation B Corporation C

Complete Line 11 or Line 16 But Not Both			
11	— . — — — — —	— . — — — — —	— . — — — — —
12			
13			
14			
15			
16	— . — — — — —	— . — — — — —	— . — — — — —

- 16a. Total Federal income tax ratio (Add amounts on Line 16, Columns A, B & C) (EC)

16a	— . — — — — —
-----	---------------

17. **Federal income tax deduction** (Multiply Line 10 by either Line 11 or Line 16. Enter here and on Part I, Line 10)

17			
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- 17a. Total federal income tax deduction (Add amounts on Line 17, Columns A, B & C and enter the total amount here and on Form 40, Page 1, Line 10)

(ED) 17a	
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Instructions For Schedule CR, Part III

- Schedule CR, Part III has been designed so that the instructions for Form 40, Schedule E under "Combined Report Method" in the booklet also apply to the line numbers on Part III.
- After completing Schedule CR, Part III, the total from Line 17a must be entered on Form 40, Page 1, Line 10.

Name as shown on return

Federal Employer I.D.

**Schedule CR, Part IV: Computation Of Recapture And Carryforward Of Federal AMT Disallowed
For Corporations Filing A Consolidated Return Using The Combined Report Method**

- | | |
|---|-------------|
| 1 | |
| 2 | —'— — — — — |
| 3 | |
| 4 | —'— — — — — |
| 5 | |
1. 1997 Federal alternative minimum tax (AMT) disallowed (Enter amount from Schedule CR, Part III, Line 1a) ..
 2. Ratio from Schedule CR, Part III, Line 4, if no ratio on Line 4, enter 1.000000
 3. Multiply Line 1 by Line 2
 4. Ratio from Schedule CR, Part III, Line 9
 5. Multiply Line 3 by Line 4
 6. N.D. Apportionment Factor (Enter factor from Sch. CR, Part III, Line 11 or Line 16)
 7. Subtotal (Multiply Line 5 by Line 6)
 8. Carryforward of previously disallowed Federal AMT (Attach worksheet)
 9. Total Federal AMT Disallowed (Add Lines 7 and 8)

	Corporation A	Corporation B	Corporation C
6	—'— — — — —	—'— — — — —	—'— — — — —
7			
8			
9			

Corporations claiming a Federal consolidated credit for prior year minimum tax on the 1997 Federal return, complete Lines 10-12. Other corporations enter the amount from Line 9 on Line 12.

10. Balance (Enter amount from Schedule CR, Part I, Line 15)
11. **Subtotal** (If the amt. on Line 10 is zero or less, enter zero here and on Part 1, Line 16) (If the amount on Line 10 is greater than zero, enter the smaller of line 9 or 10 here and on Part I, Line 16)
- 11a. Total recapture of Federal AMT Disallowed (Add amounts on Line 11, Columns A, B & C and enter the total amount here and on Form 40, Page 1, Line 16)

10			
11			

11a

12. Available carryforward of Federal AMT Disallowed (Subtract Line 11 from Line 9 if completing Lines 10 and 11)

12			
----	--	--	--

- 12a. Total available carryforward of Federal AMT Disallowed (Add amounts on Line 12, Columns A, B & C)

(RA)

12a

Instructions For Schedule CR, Part IV

- Schedule CR, Part IV has been designed so that the instructions for Form 40, Schedule AMT-R in the booklet also apply to this part of Schedule CR .
- After completing Schedule CR, Part IV the total from Line 11a must be entered on Form 40, Page 1, Line 16.

100% North Dakota Corporations Required To File A Consolidated North Dakota Tax Return Using The Combined Report Method, And Multistate Apportioning Corporations Filing A Consolidated North Dakota Tax Return Using The Combined Report Method Should Refer To The Inside Front Cover Of The Form 40 Booklet For More Information.

North Dakota Estimated Income Tax For Corporations

Form 40-ES

General Instructions

For 1998 Taxable Year

- 1. Who Must Pay Estimated Tax:** Estimated income tax must be paid if a corporation's net income tax liability can reasonably be expected to exceed five thousand dollars (\$5,000) for the taxable year **and** the previous year's income tax liability exceeded five thousand dollars (\$5,000). "Net tax liability" is defined as North Dakota income tax due, as shown on the return, computed after the application of allowable credits and before the application of estimated income tax payments.
- 2. Where to File:** Estimated income tax payments should be mailed to the Office of State Tax Commissioner, State Capitol, 600 E. Boulevard Ave., Bismarck, ND 58505-0599.
- 3. Which Form To Use:** *To receive proper credit for N.D. corporation estimated tax payments, please use only the blue color-coded 40-ES forms.*
- 4. Time for Filing:** The first estimated income tax payment is due no later than April 15 following the close of the calendar year. Corporations reporting on a fiscal year basis must file no later than the 15th day of the fourth month following the close of their fiscal year. No less than one-fourth of the estimated income tax must be paid with the first installment, and with each of the three remaining installments on the 15th day of the sixth and ninth months of the taxable year, and the first month of the following year. Form 40-ES must be completed and filed on each installment date. Extensions are not granted.
- 5. How to Pay:** Please submit separate checks for 1) payment of estimated income tax and, 2) payment of any tax due on the North Dakota Corporation Income Tax Form 40. Payment should be made by check or money order to the North Dakota State Tax Commissioner.
- 6. Amendments to Estimated Income Tax:** If it is found that the total estimated income tax is more or less than originally determined, amend the next installment. Use Line 1 on Form 40-ES to indicate the amended estimated income tax liability and complete the remaining lines.
- 7. Overpayment of Estimated Tax:** An overpayment of estimated income tax from the prior taxable year may be credited to the current year's estimated payments. The amount of the 1997 overpayment must be applied to the first installment for 1998, and the excess, if any, must be applied to the next succeeding installment until the excess is used up.
- 8. Application of Estimated Income Tax Payments:** All payments submitted as 1998 estimated income tax and any overpayment credited from the 1997 taxable year must be reported on the 1998 North Dakota Corporation Income Tax Form 40.
- 9. Understatement of Estimated Income Tax:** Except for income computed using the Federal annualization method or income qualifying as recurring seasonal income, interest charges will apply if the estimated income tax payment for any quarter (including overpayment credits from prior quarters) is less than 90% of the quarterly income tax liability or is less than the prior year's North Dakota income tax liability divided by four. The Underpayment of Estimated North Dakota Income Tax by Corporations (Form 40-UT) must be attached to the North Dakota Corporation Income Tax Form 40 when filing. The Form 40-UT is located within the Form 40 booklet.
- 10. Interest:** The State Tax Commissioner will notify the taxpayer of any interest owed on any underpayment of estimated income tax. If desired, interest owed may be computed by the taxpayer on Form 40-UT and added to the 1998 corporation income tax liability on Form 40, Page 1. Underpayment interest is due for each month, or fraction thereof, during which the tax remains unpaid (excepting the first month such payment was required to be filed) at 12% per annum.
- 11. Exceptions:** If the estimated tax paid on or before each due date is computed using the annualization method provided in the Internal Revenue Code of 1986, as amended no interest is due. Also, no interest is due if the underpayment of any installment comes within the exception provided in the Internal Revenue Code of 1986, as amended, Section 6655(e) for income qualifying as recurring seasonal income.

North Dakota Estimated Income Tax For Corporations

Form 40-ES
Payment
Voucher

CHECK ☐ **Calendar Year** January 1, 1998, to December 31, 1998
ONE: ☐ **Fiscal Year** beginning _____, 1998, and ending _____, 1999

1998

<i>Please Print Or Type</i>	Name as shown on North Dakota Corporation Income Tax Return	Federal Employer Identification No. <div style="border: 1px solid black; width: 100%; height: 1.2em; margin: 2px 0;"></div>
	Mailing Address	1st Installment Due 15th day of fourth month of 1998 taxable year. Mail Office of State Tax Commissioner, 600 E. Blvd. Ave., to: Bismarck, North Dakota 58505-0599
	City, State, Zip Code	
1.	Estimated Income Tax For The 1998 Taxable Year	➤ 1
2.	Total Due including this installment - 25% of Line 1	2
3.	1997 overpayment credited to 1998 estimated tax (From 1997 Form 40 Line 28a)	3
4.	Installment due. (Subtract Line 3 from Line 2. If zero or less, enter zero). Remit this amount.	4

I have examined this installment and to the best of my knowledge it is correct.

"Buy North Dakota Products"

Signature of Officer

Date

Signature of Preparer

Date

**Please
Do Not
Write
In This
Space**

For the tax year beginning , 19 ***and ending*** , 19 .

Name of Corporation	Federal Employer Identification No.								
			–						

If a corporation's estimated income tax payment for any quarter (including overpayment credits from prior quarters) is less than 90% of the quarterly income tax liability or is less than the prior year's North Dakota income tax liability divided by four, it will be required to complete Form 40-UT and attach it to the North Dakota Corporation Income Tax Form 40 when filing.

1. Net income tax liability - From 1997 Form 40, (If \$5,000 or less, do not complete form) _____
2. 90% of Line 1 _____
3. Prior year's net income tax liability - From 1996 Form 40, Line 24 (If \$5,000 or less, do not complete form) _____

Enter in Columns A through D the installment dates that correspond to the 15th day of the 4th, 6th and 9th months of the taxable year, and the first month of the following year

Due Dates Of Installments			
A	B	C	D
Remaining lines for Column A must be completed before proceeding to Column B, etc.			
997 Form 40, on interest and penalty line)			

- | | | | |
|--|--|--|--|
| 4. Enter 25% of Line 2 or Line 3, whichever is less, in Column A through D | | | |
| 5. (a) 1996 overpayment credited to 1997 tax | | | |
| (b) Amount paid for each quarter | | | |
| (c) Overpayment. See Line 7(b) | Remaining lines for Column A must be completed before proceeding to Column B, etc. | | |
| 6. Add Lines 5(a), 5(b), and 5(c) | | | |
| 7. (a) Underpayment. (Line 4 less Line 6) If underpayment computed, see Line 11 below. | | | |
| (b) Overpayment. (Line 6 less Line 4) Enter here and on Line 5(c) above, in the following quarter | | | |
| 8. Interest (See Form 40-ES instruction) | | | |
| 9. Total Interest (Add Line 8, Columns A-D. Include on 1997 Form 40, on interest and penalty line) | | | |
| 10. <input type="checkbox"/> Check this box if the computed underpayment results from recurring seasonal income, as defined under IRC Section 6655(e) of 1986, as amended. | | | |
| 11. <input type="checkbox"/> Check this box if the computed underpayment results from using the Federal annualization method. | | | |

If either Box 10 or 11 is checked, interest on the underpayment(s) should not be computed or paid. Attach a copy of Federal form 2220 (including the worksheet in the instructions to Federal form 2220).

North Dakota Estimated Income Tax For Corporations

Form 40-ES
Payment
Voucher

CHECK ☐ Calendar Year January 1, 1998, to December 31, 1998
ONE: ☐ Fiscal Year beginning _____, 1998, and ending _____, 1999

1998

Please Print Or Type	Name as shown on North Dakota Corporation Income Tax Return	Federal Employer Identification No. [][]-[][][][][][][][][][][]
	Mailing Address	2nd Installment Due 15th day of sixth month of 1998 taxable year. Mail Office of State Tax Commissioner, 600 E. Blvd. Ave., to: Bismarck, North Dakota 58505-0599
	City, State, Zip Code	
1.	Estimated Income Tax For The 1998 Taxable Year	1
2.	Total Due including this installment - 50% of Line 1	2
3.	Amount paid in previous installments (including 1997 overpayment credited to 1998 estimated tax)	3
4.	Installment due. (Subtract Line 3 from Line 2. If zero or less, enter zero). Remit this amount.	4

I have examined this installment and to the best of my knowledge it is correct.

**Please
Do Not
Write
In This
Space**

"Buy North Dakota Products"

Signature of Officer _____ Date _____

Signature of Preparer _____ Date _____

North Dakota Estimated Income Tax For Corporations

Form 40-ES
Payment
Voucher

CHECK ☐ Calendar Year January 1, 1998, to December 31, 1998
ONE: ☐ Fiscal Year beginning _____, 1998, and ending _____, 1999

1998

Please Print Or Type	Name as shown on North Dakota Corporation Income Tax Return	Federal Employer Identification No. [][]-[][][][][][][][][][]
	Mailing Address	3rd Installment Due 15th day of ninth month of 1998 taxable year. Mail Office of State Tax Commissioner, 600 E. Blvd. Ave., to: Bismarck, North Dakota 58505-0599
	City, State, Zip Code	
1.	Estimated Income Tax For The 1998 Taxable Year	1
2.	Total Due including this installment - 75% of Line 1	2
3.	Amount paid in previous installments (including 1997 overpayment credited to 1998 estimated tax)	3
4.	Installment due. (Subtract Line 3 from Line 2. If zero or less, enter zero). Remit this amount.	4

I have examined this installment and to the best of my knowledge it is correct.

**Please
Do Not
Write
In This
Space**

"Buy North Dakota Products"

Signature of Officer _____ Date _____

Signature of Preparer _____ Date _____

North Dakota Estimated Income Tax For Corporations

Form 40-ES
Payment
Voucher

CHECK ☐ Calendar Year January 1, 1998, to December 31, 1998
ONE: ☐ Fiscal Year beginning _____, 1998, and ending _____, 1999

1998

Please Print Or Type	Name as shown on North Dakota Corporation Income Tax Return	Federal Employer Identification No. [][]-[][][][][][][][][][]
	Mailing Address	4th Installment Due 15th day of first month following close of 1998 tax year. Mail Office of State Tax Commissioner, 600 E. Blvd. Ave., to: Bismarck, North Dakota 58505-0599
	City, State, Zip Code	
1.	Estimated Income Tax For The 1998 Taxable Year	1
2.	Amount paid in previous installments (including 1997 overpayment credited to 1998 estimated tax)	2
3.	Installment due. (Subtract Line 2 from Line 1. If zero or less, enter zero). Remit this amount.	3

I have examined this installment and to the best of my knowledge it is correct.

**Please
Do Not
Write
In This
Space**

"Buy North Dakota Products"

Signature of Officer _____ Date _____

Signature of Preparer _____ Date _____